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C O N F I D E N T I A L SECTION 01 OF 03 ROME 001284

NOFORN
SIPDIS

NRC FOR COMMISSIONER DALE KLEIN
NRC FOR THE OFFICE OF INTERNATIONAL PROGRAMS
DOE FOR INTERNATIONAL ENERGY COOPERATION DAS YOSHIDA
DOE FOR OFFICE OF NUCLEAR ENERGY DAS MCGINNIS
DOC FOR ENERGY, ENVIRONMENTAL INDUSTRIES OFFICE SARAH LOPP

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TAGS: [ECON](#) [EINV](#) [ENRG](#) [IT](#)
SUBJECT: CONTINUED USG ENGAGEMENT IMPORTANT AS ITALY TAKES
STEPS TO RETURN TO NUCLEAR ENERGY

REF: A. A) ROME 1048 B) ROME 878 C) ROME 815 D) ROME 678
[1](#)B. E) ROME 283 F) ROME 207 G) 08 ROME 1191

ROME 00001284 001.2 OF 003

Classified By: Classified By: ECMIN George White for reasons 1.4b and d

[1](#)1. (C/NF) SUMMARY: The GOI is creating a nuclear energy regulatory agency, the first in a series of important steps in the government's efforts to bring back nuclear energy to Italy. Much remains to be done: Italy must win public support for nuclear power and find a solution to the nuclear waste problem. An October visit by Commissioner Dale Klein of the U.S. Nuclear Regulatory Commission (NRC) served to reinforce U.S. and Italian civil nuclear energy cooperation. Commissioner Klein's visit followed the September signing of two U.S - Italy nuclear energy cooperation agreements. USG engagement and re-newed nuclear energy cooperation with Italy is helping U.S. companies gain space here as alternatives to French technology. Italy's return to nuclear energy would strengthen Europe's energy security. We want to ensure that U.S. firms have the opportunity to participate in the massive project. Continued USG engagement is needed to advance both our energy security objectives and our commercial interests in Italy's return to nuclear power. End Summary.

ITALY TO ESTABLISH NUCLEAR ENERGY REGULATORY FRAMEWORK, BUT CHALLENGES AHEAD
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[1](#)2. (SBU) The GOI is in the process of creating the regulatory framework needed for Italy's return to nuclear power. The GOI plans to launch by late November the Nuclear Safety Agency (NSA) as the nuclear sector's regulatory body. Expected bureaucratic delays, however, may keep the new agency from being fully operational until after early 2010. The GOI will also issue over the next six months regulations setting the criteria for the new nuclear plant sites, compensation schemes for the regions that will accept nuclear plants, environmental protection requirements, and a one-step process in nuclear plant licensing approval. According to GOI officials, the Italo-French ENEL-EdF consortium that plans to build four (Areva EPR) nuclear power plants will submit in early 2011 the request for authorization to start construction for at least the first plant. The officials said the GOI has only until then to prepare the regulatory and

institutional framework to handle these applications or those of other companies that may propose to build nuclear power stations. They added that it will be a challenge for the GOI to put all of the regulatory framework in place in such a short time, but that the government is working to meet that deadline.

¶3. (SBU) The GOI officials also cautioned that entrenched NIMBYism (not in my back yard) and the desire by the Italian administrative regions to retain authority over the construction of nuclear power plants may further stall GOI efforts. They explained that already ten out of the twenty Italian administrative regions filed a joint legal challenge to the July nuclear energy law that gave the GOI veto power over a region that blocks the building of nuclear power plants. Prior laws give each of the twenty administrative regions shared approval authority with the GOI over energy projects, and the regions want to safeguard this authority. GOI officials added that despite majority Italian support for nuclear energy, local communities oppose nuclear plants and nuclear waste sites in their areas.

NRC VISIT REINFORCES U.S.-ITALIAN NUCLEAR ENERGY COOPERATION

¶4. (SBU) During a late October Rome visit, the NRC's Commissioner Dale Klein met with senior GOI officials to provide advice and to offer Italy NRC assistance in establishing its new nuclear energy regulatory agency. Commissioner Klein recommended that the GOI give the new agency the necessary authority, resources and independence to guarantee the safety and security of planned nuclear power plants. He stressed the importance of educating the Italian public on how nuclear energy can increase Italy's energy

ROME 00001284 002.2 OF 003

security. Klein also said NRC technical assistance programs are available to Italy.

¶5. (SBU) Ministry of Economic Development Under-Secretary Stefano Saglia informed Commissioner Klein that Italy is working to diversify its energy mix away from gas dependency; the GOI wants increased use of renewable and nuclear energy. Saglia added that these two energy sources will also lower Italian carbon-dioxide emissions. Saglia and other GOI officials agreed to consider the NRC's offer of assistance, and noted that USG help in establishing Italy's nuclear regulator would build local public trust in the new agency.

USG COOPERATION ENHANCES OPPORTUNITIES FOR U.S. COMPANIES

¶6. (C/NF) U.S.-Italian nuclear energy cooperation is helping U.S. nuclear energy sector companies get a foothold in the future Italian nuclear energy market. Italian Minister for Economic Development Claudio Scajola signed two nuclear energy cooperation agreements with Energy Secretary Chu and Department of Commerce U/S Hightower during his September U.S. visit. Commissioner Klein's visit gave additional support to U.S. nuclear energy companies. A Post co-sponsored public forum on nuclear energy featuring Commissioner Klein as keynote speaker and U.S. companies as panel members attracted a large audience of senior public and private Italian officials and local press coverage. These positive developments have further increased the Italian profile of U.S. companies and have helped dispel the notion that the French are the only game in town.

¶7. (C/NF) Encouraged, U.S. companies continue to position themselves for opportunities in the Italian nuclear energy sector. Comments from government and Italian private sector officials continue to suggest that the Westinghouse AP-1000 nuclear reactor design remains a strong contender for additional power plants beyond those proposed by the ENEL-EdF consortium. Westinghouse's partnership with Italy's only dedicated nuclear energy supplier, Ansaldo Nucleare (AN), is

also looked upon favorably here. Minister Scajola is particularly keen for AN to play a leading role in the building of Italy's nuclear power plants as the company is based in his home region of Liguria. GE-Hitachi told Post it has also decided to make a stronger push for its technology in Italy. Other U.S. companies (Exelon, Battelle, Burns and Roe, Lightbridge and EnergySolutions) remain interested in Italy.

18. (C/NF) Regulatory uncertainty and the high price of nuclear power plants may be keeping other energy companies from committing to build nuclear power plants in Italy. ENI is the only other Italian company with the resources to do so on its own. ENI told Post that Minister Scajola has pressed the company to consider building nuclear power plants with Westinghouse technology, and that as a result the company is talking to Westinghouse to assess its options. ENI stressed, however, that it has not yet made a decision. ENI further told Post that the company would remain reluctant to build nuclear power plants in Italy without GOI guarantees regarding recovery of its investments should a future government decide to reverse course. Industry rumors suggest that Milan-based A2A and Germany's EoN may also be mulling over a decision to form consortia to construct one or more nuclear power plants. A decision by ENI or other energy companies to build nuclear power plants here should provide U.S. companies, particularly GE and Westinghouse, with important new opportunities for contracts.

COMMENT

19. (C/NF) The next twelve months will be a crucial period as the GOI will have to establish the regulatory framework to govern the new nuclear energy sector. Lack of sufficient expertise and tight financial resources may hamper GOI efforts to get this framework right. Regulatory efficiency is not Italy's strong suit. Critics, for example, already

ROME 00001284 003.2 OF 003

point out that the new nuclear regulator will start under-staffed and under-funded. The GOI says it is serious about forging ahead, but the heavy lifting is only now about to begin. For now, it appears that the GOI will welcome NRC and other USG agencies' assistance in its efforts to develop an effective nuclear energy regulatory framework. The issues of nuclear power plant financing and investment guarantees remain important areas for the GOI to address, and for which USG technical expertise may help. Continued USG engagement on Italy's nuclear power program will allow us to help keep on track a project that will benefit European energy security, while allowing us to help ensure that U.S. firms are treated fairly in this enormous endeavor. End Comment.
THORNE